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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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**TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION
AND COMMERCE**

**TWENTY-SIXTH LEGISLATURE
Regular Session of 2012**

**Monday, January 30, 2012
2:00 p.m.**

**TESTIMONY ON HOUSE BILL NO. 2503 – RELATING TO CAPTIVE INSURANCE
COMPANIES.**

**TO THE HONORABLE ROBERT HERKES, CHAIR, AND MEMBERS OF THE
COMMITTEE:**

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department"). Thank you for hearing this bill. The Department strongly supports this
Administration bill.

The purpose of this bill is to maintain Hawaii's position as a major captive
insurance domicile by updating and streamlining the captive insurance company law
found in article 19, chapter 431, Hawaii Revised Statutes ("HRS") ("Captive Law"), and
ensuring that risk retention captive insurance companies comply with the accreditation
standards of the National Association of Insurance Commissioners ("NAIC").

Besides making numerous housekeeping amendments to the Captive Law, this
bill also:

1. Provides greater flexibility for pure captive insurance companies to insure
or reinsure the risks of controlled unaffiliated business;

2. Provides greater flexibility for association captive insurance companies to insure the risks of its association and a member organization's affiliated entities;
3. Applies article 15, chapter 431 (Insurers Supervision, Rehabilitation, and Liquidation), and chapter 386 (Workers' Compensation), HRS, to pure captive insurance companies writing direct workers' compensation insurance policies ("Direct-writing Captive"). This addresses concerns about the treatment of a Direct-writing Captive that becomes insolvent or in a condition hazardous to its policyholders, creditors, or general public;
4. Clarifies that the Commissioner or any authorized examiner is authorized to conduct financial surveillance of captive insurance companies; and
5. Allows the Commissioner to impose fines on captive insurance companies that fail to comply with state law upon notice to remedy any violation. This would give the Commissioner more options in dealing with noncompliant captive insurance companies as the only existing penalties are license suspension or revocation.

This measure balances the need for captive insurance companies to have greater flexibility in conducting insurance business, while strengthening the State's regulatory authority to ensure compliance with Hawaii law and NAIC accreditation standards.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

Testimony for HB2503 on 1/30/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Friday, January 27, 2012 8:52 AM
To: CPCtestimony
Cc: alelievr@dcca.hawaii.gov
Attachments: HB2503_CCA_01-30-12_CPC.pdf (35 KB)

Testimony for CPC 1/30/2012 2:00:00 PM HB2503

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: Ann Le Lievre
Organization: Hawaii Insurance Division
E-mail: alelievr@dcca.hawaii.gov
Submitted on: 1/27/2012

Comments:

Testimony for HB2503 on 1/30/2012 2:00:00 PM

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Sent: Friday, January 27, 2012 2:56 PM
To: CPCtestimony
Cc: mtakamine@beechercarlson.com
Attachments: Testimony on HB2503 - HCIC.PDF (319 KB)

Testimony for CPC 1/30/2012 2:00:00 PM HB2503

Conference room: 325
Testifier position: Support
Testifier will be present: Yes
Submitted by: Matthew D. R. Takamine
Organization: Hawaii Captive Insurance Council
E-mail: mtakamine@beechercarlson.com
Submitted on: 1/27/2012

Comments:



TESTIMONY ON H.B. 2503
RELATING TO CAPTIVE INSURANCE COMPANIES

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Robert N. Herkes, Chair
Rep. Ryan I. Yamane, Vice Chair

Monday, January 30, 2012, 2:00 p.m.
State Capitol, Conference Room 325

My name is Matthew D.R. Takamine, President of the Hawai'i Captive Insurance Council (HCIC), a trade organization of captive insurance companies and service providers who comprise and support Hawai'i's captive insurance industry.

HCIC strongly supports H.B. No. 2503, which adds two new sections and makes housekeeping and clarifying amendments to Hawaii's captive insurance laws to enable Hawaii to maintain its position as a leading captive insurance domicile in the United States and throughout the world. However, HCIC has technical wording issues with H.B. No. 2503 that it is in the process of working out with the Hawai'i Insurance Division.

With increasing competition from other U.S. domiciles, it is critical that Hawai'i continue to attract new captive formations by reputable business entities. Passing this measure will enable Hawaii to continue compete as a preferred domicile in the increasingly competitive captive insurance marketplace.

Thank you for this opportunity to submit testimony in support of H.B. No. 2503.

Respectfully submitted:

A handwritten signature in black ink, appearing to read "Matthew D.R. Takamine", with a long horizontal flourish extending to the right.

Matthew D.R. Takamine
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